

CPP ANNUAL USE OF CAPITAL SURVEY - 2011



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Market Street Bancshares, Inc. and Peoples National Bank

Point of Contact:	Thomas Dolson	RSSD: (For Bank Holding Companies)	1250437
UST Sequence Number:	1188	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	20,300,000	FDIC Certificate Number: (For Depository Institutions)	3809
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	May 15, 2009	City:	Mt. Vernon
Date Repaid ¹ :	N/A	State:	Illinois

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

Increase lending or reduce lending less than otherwise would have occurred.

The loan portfolio decreased slightly in 2011 due to economic conditions and normal runoff. The overall lending volume remains higher than otherwise would have occurred. With the help of CPP, we continue pursuit of lending opportunities under normal lending standards.

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To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).

[Empty response area for increased lending]

Increase securities purchased (ABS, MBS, etc.).

[Empty response area for increased securities purchased]

Make other investments.

See description listed in Section labeled "What actions were you able to take that you may not have taken....." on the next page.

[Empty response area for other investments]

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X Increase reserves for non-performing assets.

See description listed in Section labeled "What actions were you able to take that you may not have taken....." on the next page.

X Reduce borrowings.

See description listed in Section labeled "What actions were you able to take that you may not have taken....." on the next page. Market Street received proceeds on classified assets in the LLC in 2011 that were utilized to reduce borrowings.

X Increase charge-offs.

See description listed in Section labeled "What actions were you able to take that you may not have taken....." on the next page. Market Street recorded charge-offs on certain classified assets in the LLC to reflect changes in asset values.

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Purchase another financial institution or purchase assets from another financial institution.

Held as non-leveraged increase to total capital.

Market Street's Tier 1 Ratio improved from 7.45% at 3/31/09 to 8.74% at 12/31/11. The total risk based capital ratio improved from 10.98% at 3/31/09 to 13.04% at 12/31/11.

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What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

n/a

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What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

Market Street Bancshares, Inc. (MSB) received CPP Capital on May 15, 2009. Since that time, MSB has used the CPP Capital to establish a non-leveraged LLC for the purpose of holding certain classified assets. By using the CPP Capital in this way, it has benefitted MSB and its wholly owned subsidiary, Peoples National Bank, (PNB), in the following ways:1) Allows more time to negotiate with borrowers to resolve credit issues and/or to proceed with the orderly liquidation of the collateral.2) Helps maintain strong capital and loan loss reserve ratios both in PNB and MSB.3) By isolating certain loans in the LLC, we can continue to concentrate on meeting the credit needs of our customers. Even in a time of declining loan demand, PNB was able to maintain a very positive Loan to Deposit ratio. As a community bank, our most important function is to make credit available in our market area. The CPP Capital has allowed us to take a longer, more constructive approach in dealing with credit issues that have arisen and more importantly, to continue to serve as a source of funding for thousands of customers who want and need our services.

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.

n/a